

**Department of Health and Human Services
Division of Licensing and Certification
State House Station #11, Augusta, Maine
Preliminary Analysis**

Date: June 23, 2021

Proposal by: North Country Associates/Sandy River Company (Breakwater Commons, LLC)

**Prepared by: Larry Carbonneau, Health Care Compliance and Operations, DLC
Richard Lawrence, Senior Health Care Financial Analyst, DLC**

Directly Affected Party: None

Certificate of Need Unit Recommendation: Approval with Condition

	Proposed Per Applicant	Revision	Approved CON
Estimated Capital Expenditure	\$ 33,310,200	\$1,267,864	\$ 34,578,064
Maximum Contingency	\$ 1,665,510	\$63,393	\$ 1,728,903
Total Capital Expenditure with Contingency	\$ 34,975,710	\$1,331,257	\$ 36,306,967
Pro-Forma Marginal Operating Costs	\$ 12,537,307	\$120,901	\$ 12,658,208
MaineCare Neutrality Established			Yes

I. Abstract

A. From Applicant

Project Description

MaineHealth d/b/a Coastal Healthcare Alliance (“CHA”) currently owns and operates the Knox Center, an 84-bed nursing home located in Rockland. CHA would convey to Breakwater Commons Operations LLC all of the bed rights and associated MaineCare revenue stream utilized for the operation of the Knox Center; and Quarry Hill, a retirement community in Camden affiliated with CHA that operates a 39 bed NF unit, would convey to Breakwater Commons Operations LLC that portion of its NF bed rights and associated MaineCare revenue stream that is required to meet the Maine Care neutrality requirement. Quarry Hill will retain the excess NF bed rights and associated income stream for future projects, which would be handled separately. Sandy River Company (“Sandy River”), with its business associates, and using the Bed Rights, would develop, build, and permit a new 96 licensed nursing care center on land it currently owns in Rockland, located on Old County Road.

The development and ownership of Breakwater Commons is a joint venture between the ownership of two successful Maine companies: Sandy River Company, headquartered in Portland, and North Country Associates (“North Country”), an operator and manager of over 25 senior care facilities throughout Maine and headquartered in Lewiston.

The structure for the joint venture will include an operating entity (Breakwater Commons Operations, LLC) and a real estate entity (Breakwater Commons Development, LLC). There will be a lease agreement between the two entities. See Exhibit I-A: Organization Chart.

The joint venture will utilize the acquired MaineCare revenue streams and acquired land to construct a new modern licensed 96-bed skilled nursing care center.

Coastal Health Alliance/MaineHealth are committed to providing the highest level of senior care services in Rockland/Camden area. Quarry Hill includes a small 39-bed nursing care unit. Operating a nursing care unit with only 39 beds is very challenging and inefficient and results in large operating losses and negative cash flow year after year.

The Knox Center in Rockland also operates with large operating losses and challenging occupancy levels. There are not enough hospital discharges to skilled rehabilitation services in Knox County to support both Quarry Hill and the Knox Center’s rehabilitation programs. The Knox Center was created by renovating the original Knox County General Hospital, originally built in the early 1900’s. And while Knox Center is in

reasonably good condition and well maintained, the layout and design, including resident outdoor spaces, is inefficient and outdated.

Combining Quarry Hill and The Knox Center's licensed beds offers an opportunity to develop a new state-of-the-art nursing care and rehabilitation center that would allow for more economies of scale with a higher level of efficiency and programming, a design and layout that includes three "neighborhoods" with mostly private rooms each with their own bathroom and shower, and beautifully landscaped outdoor spaces and courtyards. This design also allows for much better management of infectious disease control for infectious diseases like Covid-19.

Currently, Sandy River and North Country are working closely with MaineHealth to create two new state-of-the-art senior care centers in Southern Maine that will replace two outdated nursing care centers in Sanford and Portland. North Country would operate the proposed new center in Rockland. North Country is also the operating partner on the two new replacement facilities in Southern Maine and works closely with Maine Health on clinical development and programming.

The proposed new facility will be a one-story design of approximately 69,000 square feet, on 29 acres of land in Rockland. It is anticipated the new facility will take 17 months to construct with an estimated opening date at the end of the 4th Quarter, 2022, and sooner if possible. Once constructed, the existing residents of Knox Center and residents of Quarry Hill's nursing care unit will be transferred to the new facility if they so choose or into other area facilities.

The total project budget is estimated at \$34,975,710. This includes the acquisition of the MaineCare income stream at Knox Center from CHA, and the acquisition of the MaineCare income stream Quarry Hill's 39-bed NF unit to satisfy the need for MaineCare budget neutrality.

Please note that Sandy River has extensive experience developing senior care facilities. Sandy River owns 11 nursing homes in Maine that are leased to Genesis Health Care Corporation. Sandy River has also completed several new senior care facilities in Maine to include:

- Avita of Stroudwater, 60 unit assisted living memory care center in Westbrook
- Avita of Wells, a 60 unit assisted living memory care center in Wells
- Avita of Brunswick, a 60 unit assisted living memory care center in Brunswick
- Stroudwater Lodge, a 95 unit independent and assisted living center in Westbrook
- Schooner Memory Care, 66 unit assisted living memory care center in Auburn in partnership with North Country

Currently, Sandy River and North Country have a new 94-bed senior care facility under construction on the campus of Southern Maine Health Care in Sanford scheduled to

open in May 2021. The partnership is also developing a new facility in Portland to replace St. Joseph Manor and will begin construction in 2021.

Attached as Exhibit I-B is a floor plan, site plan and rendering of the new facility. Upon receipt of the Certificate of Need, the final building and site working drawings will be completed. It is recognized that receipt of all necessary state and local permits will be a condition of the Certificate of Need.

CONU Comment #1:

According to 22 M.R.S.A §329 (6) a certificate of need is required for:

Nursing Facility Projects with capital expenditures exceeding \$6,538,328 (2021 threshold).

II. Fit, Willing and Able

A. From Applicant

The development and ownership of Breakwater Commons is a joint venture between two successful Maine companies: Sandy River, a developer and owner of over fifteen senior care facilities, is headquartered in Portland, and will take the lead role in the joint venture in developing the new facility. North Country, an operator and manager of over 25 senior care facilities throughout Maine and headquartered in Lewiston will manage the facility once constructed.

Sandy River Company

Sandy River Company is a seasoned company serving the healthcare and senior care industry in Maine and New England. Beginning in the early 1980's, we developed innovative buildings and programs from the ground up for our investors and our clients. In 1983, Sandy River Nursing Care Center opened its doors with a new approach to nursing homes designed with several "neighborhoods" and a more homelike environment for elderly and caregivers.

Sandy River has successfully operated healthcare and senior care facilities whether it is the startup of a new building or turning around an existing asset that needs a fresh set of eyes and vision. Over the course of its history, Sandy River created and managed one of the largest healthcare systems in Maine with over 1500 staff and 15 senior care centers.

By the mid 1990's, Sandy River had developed numerous nursing care and assisted living projects with various operating partners. In 1996, Sandy River took on a new path by buying out its operating partners and creating Sandy River Health System, an integrated healthcare system that included such facilities as RiverRidge, the state's first traumatic brain injury rehab center and Sedgewood Commons, the state's first multi-level 100% Alzheimer's care center. Sandy River also developed more upscale assisted living facilities such as Harbor Hill in Belfast and Windward Gardens in Camden.

After successfully operating its portfolio of facilities, Sandy River sold the operating business of its senior care centers to Genesis Healthcare Corporation in 2007. SRC continues to own the real estate and lease the buildings to Genesis Healthcare. While Sandy River no longer operates its original portfolio of facilities in Maine, Sandy River Company continues to offer its long history of experience in healthcare and senior care by providing transaction services, development services, financing services and advisory services to clients both in Maine and throughout the United States.

Developing a new senior care facility involves managing hundreds of moving pieces. Getting all the pieces in place requires patience, vision, and sheer determination. With nearly four decades of experience developing senior care projects, Sandy River has market leading experience with the development process.

The three principals of Sandy River have chosen to focus its activities on senior healthcare because it is an opportunity to meet a shared commitment to be socially responsible in the process.

Michael Tyler served in various financial positions with Northeast Health/Pen Bay Medical Center in Rockport, Maine prior to joining Sandy River Health System in 1987. Serving as President, Michael was instrumental in leading the growth and operations of Sandy River's healthcare portfolio from its initial two facilities to eleven facilities and its 1600 employees. In January 2007, he led the sale of the Sandy River facilities to Genesis. Since 2007, Michael continues as a partner at Sandy River Company, providing consulting, financing and development services including arranging financing for several new senior care facilities. As a seasoned operator and developer of senior care services, Michael has served as Chairman of the Maine Health Care Associations and continues to serve as a Board member.

David Friedman attended Harvard University where is graduated cum laude in Economics in 1969. After graduating from Harvard Business School, David moved to Maine where is founded a real estate brokerage firm, which later evolved into real estate development. David has been the creator of many successful enterprises within the arenas of real estate and health care. In 1980, David co-founded Sandy River Nursing Center, the first of what would be 11 facilities. The company grew to be Maine's largest provider of skilled and assisted living care. In addition, he has served as Chair of several national and international non-profit organizations. He is a natural team builder and facilitator and thrives on choosing and then empowering teams to grow.

Daniel Maguire began his career as Development Finance Officer with Eastern Maine Development Corporation in 1981 and later became part of Maine State Development Office coordinating trade missions working closely with the Governor's Office. In 1984, Daniel joined Sandy River Group as VP of Development where he directed the

development and construction of a \$100 million portfolio of senior care facilities throughout Maine, as well as numerous development consulting assignments for other providers throughout the Northeast. In 2007, following the sale of the 11 Sandy River facilities to Genesis, Daniel has continued as a partner at Sandy River Company providing consulting and development services for several senior care projects. Daniel has also been a major fundraiser for the Maine Alzheimer's Association.

As previously mentioned, Sandy River Company and North Country Associates teamed up to develop a new 70 bed memory care center on the campus of Schooner Estates in Auburn that opened in April 2020. This team is also working closely with MaineHealth and Southern Maine Health Care in developing a new 94 bed senior care center under construction in Sanford. We are also developing a replacement facility for MaineHealth's St Joseph Rehabilitation & Residence in Portland with plans to begin construction in 2021.

The three principals of Sandy River Company are also development partners on a portfolio of memory care assisted living centers known as Avita with locations in suburban Boston and Maine. On the Avita memory care centers, Sandy River has provided project development and financing services.

Together, we are committed to creating new modern senior care centers that replace older outdated facilities in Maine.

North Country Associates

North Country Associates will be a Joint Venture partner with SRC on the development of the proposed new senior care center in Rockland and would manage the new facility.

Founded in 1981 with the purchase of five assisted living facilities and growing over the ensuing years, North Country now owns and/or operates 27 facilities with more than 2000 employees. These facilities comprise more than 1700 beds and units serving Maine's older population and generate more than 100 million dollars in annual gross revenues. North Country's well-established presence within the Maine market, its careful building of strong local referral networks among hospitals and physicians, and its strong corporate and facility based management structure positions it well to continue to increase the utilization of its services and improve access for Maine's older adults.

With a corporate headquarters in Lewiston, Maine, and a highly respected senior management team, NCA is recognized as a leader in offering a continuum of health care options which include independent living apartments, assisted living, skilled nursing care, rehabilitation, specialized memory care, outpatient therapies, adult day care, as well as services and living assistance to those with developmental disabilities. More than 25% of NCA's beds are assisted living and a high percentage of those are devoted to memory care.

North Country continues to grow through development of management services engagements with nursing and residential care facilities throughout Maine and through acquisition opportunities. In addition to the collaboration with MaineHealth on the replacement facilities for the Newton Center and St. Joseph's Rehabilitation & Residence, NCA provides comprehensive consulting service for the City of Portland's Barron Center, a 219-bed NF/SNF facility.

Led for nearly 40 years by John Orestis, NCA prides itself on delivering the highest quality care and service to its residents in a culture that encourages employee growth and retention. Most of the senior management staff have decades of service at North Country and are considered leaders in Maine's senior care industry. NCA brings many years of experience and a wide range of talent, ability, and content expertise to the task of delivering high quality long-term care services.

North Country's seasoned leadership team offers expertise that spans multiple sectors and includes:

- Clinical Operations
- Financial Management
- Property/Environmental Management
- Safety and Risk Management
- Human Resource Oversight
- Occupancy Development and Strategic Positioning
- Infectious Control Practices, audits, and education
- Registered Dietician Consultation
- Information Technology
- Therapy Oversight
- Reimbursement Specialists

North Country has a successful track record of operating diverse and complicated long-term care services throughout the facilities. As the manager of the proposed new facility, North Country is well positioned with decades of experience and a wide range of talent, ability, and dedication to the task of delivering long term care to frail elderly citizens in a challenging business and regulatory environment. The delivery of quality skilled, long term and residential level care to Maine's aging population is the foremost goal of both North Country and Sandy River.

The Senior Management Team is comprised of the following:

John Orestis, President and Chief Executive Officer of North Country Associates since its inception in 1982, is an attorney and former Mayor of Lewiston, who has served as a legislative representative in the state of Maine. John is a past President of the Maine Health Care Association. Mr. Orestis was responsible for developing a company consisting of 14 nursing facilities in Maine and Massachusetts. Through his leadership,

North Country Associates has grown substantially and emerged as a leading provider of healthcare services and is regarded for high quality care and excellent customer service.

Mary Jane Richards, as Chief Operating Officer, oversees facility operations, fiscal, clinical, and human resource management. She began her career in long term care in 1991 with North Country Associates, first as an Activity Director and eventually earning her Multi-Level Administrator's license and operating several of North Country Associates facilities. With her years of management experience, she brings a collaborative style to the Senior Management Team. Mary Jane earned a Bachelors' Degree from the University of Maine. She serves on the Board of Directors for the Maine Health Care Association and has been an active member on the Nursing Home Administrator's Licensing Board for several years, serving as both Chair and Complaint Officer.

Douglas S. Gardner is Senior Vice President of Development & Operations. Doug's first experience in long term care came in 1992 when he worked as the QMRP at Northland Living Center. After completing an Administrator-in-Training Program with North Country Associates, he worked at several NCA facilities until his departure from the company in 1996. After working three years as the Administrator of a large multi-level facility in Lewiston, he became the Administrator at the Barron Center, a 235-bed LTC facility owned and operated by the City of Portland and part of the Portland's Health & Human Services Department. In 2005, Doug was promoted to the position of Director for Portland's Health & Human Services Department; a position he would hold for nine years until rejoining NCA in the middle of 2014. Doug earned a Bachelors' degree in Elementary and Special Education for the University of Maine, Farmington, and a Masters' Degree in Public Health from the Muskie School of Public Service at USM

Sandy Verge, as Senior Vice President of Human Resources & Customer Relations, serves in a central role providing Human Resources consultation services to all North Country Associates' facilities. She received her degree from the University of Maine and has an extensive background in managing Human Resource policies and programs in the healthcare setting. Having worked in the long-term care setting for more than three decades, Sandy coordinates and oversees all aspects of Human Resources, ensuring compliance with federal and state regulations as they pertain to employment. As a member of the Senior Management Team, Sandy serves as a valuable resource to facility staff. The outcome is the successful merging of operational goals and human resources demands – resulting in quality healthcare delivery.

Glen Cyr is Senior Vice President of Finance. Glen began in the health care field in 1988 after being in public accounting for approximately 2 years and graduating from the University of Maine at Orono with a Bachelors' Degree in Business Administration. After working approximately 10 years for a small regional provider, in 1998 Glen joined North Country Associates, Inc., as the Senior Vice President of Finance. As the Senior Vice President of Finance, Glen oversees the financial and reimbursement operations of the

company, serving a vital function in supporting the stability and expansion of the organization.

Tamra Deering, Vice President of Admission Management, has worked in various capacities throughout North Country Associates during the last two decades. In her present position, she coordinates a state-wide team of liaisons who work directly with hospitals to assist with discharging patients to North Country Associates facilities; owned, managed and affiliated. She also is responsible for the financial setup of our electronic health record platform and the point person for Managed Care contract negotiation and re-credentialing. In addition, she manages all our post-pay audit requests and ADRs, conducts prebilling claims reviews and completes our Consolidating Billing Invoice review. Tamra holds a Bachelor of Science in Nursing Degree from the University of Maine and has served as the RN Advisor on the Nursing Home Administrator Licensing Board.

Kim Dufour, Vice President of Clinical Services & Quality Improvement, has worked in healthcare for nearly 30 years. Her experience began as a Certified Nursing Assistant while in high school, then as a Licensed Practical Nurse, and becoming a Registered Nurse in 1999. Kim's nursing career has always been in the Long-Term Care setting, with the first 10 years in the ICF/IID setting. She has worked with North Country Associates since 2005, working in various capacities to include: MDS (Minimum Data Set) Coordinator, Nurse Manager, and Director of Nursing Services. In her present position, Kim works collaboratively with all NCA facilities to ensure delivery of high-quality clinical care with a focus on Quality Improvement. Kim has also become NCA's content expert relate to its COVID-19 response.

North Country's Management Approach

North Country has a history of transitioning operations and has learned from previous experience that an implementation plan needs to be well thought out prior to commencing and that facility staff, residents and families need to be at the forefront. The transition can be from one ownership structure to North Country or during an initial management engagement. For example, lessons learned from the transition of Market Square Health Care from Stephens Memorial Hospital to NCA have been used in subsequent transitions. North Country considers itself to be a partner with the facility Administrator and staff. This partnership will be felt immediately by Department Managers.

Initial phase of integrating our services would include an extensive review of the following:

Organizational structure

Personnel audit
Physical Plant
Ancillary
Third party contracts
Financial audit
Clinical
Operations

Second phase would identify points of contact within the organization. Scheduling of North Country staff onsite to meet residents, staff and families and begin weekly meetings with department managers. Priorities will be assigned as a result of Initial Phase findings.

Third phase would be determined by the information garnered in the Initial and Second phases. Regular visitation would take place by the executive team and managers. Networking with other facilities that are part of North Country would begin.

Transition of Current Employees

In developing a new state-of-the-art replacement facility, Sandy River and North Country recognize that employees have a long history with residents and families. North Country intends to hire as many employees of the existing facility as they can and will handle all new hires in accordance with current policies and procedures. Top performing staff will be given preference. Staff vacancies that are not hired with current staffing would be hired from the Knox County area and or North Country employees interested in job growth/opportunities.

Facility Transition

Immediately following the transfer of ownership staff would begin to learn the Northern Hospitality, North Country Associates is known for. NCA will ensure that staff have the following resources available:

- Regular staff meetings on all shifts with all departments to address transition concerns or questions.
- Customer satisfaction surveys with families and discharged residents
- Access to a compliance hot line so that families, and or residents can contact us confidentially about any concerns
- Clinical and Operations cell phone and home numbers

Clinical Structure

Our clinical operations consist of the Vice President of Clinical Services and Quality Improvement, an Infection Preventionist, an Electronic Health Record specialist, Case Mix Reimbursement specialist and a Residential Care specialist. Our clinical team

provides support to all facilities either by phone or through frequent visits to each of the centers.

North Country will also enter into an agreement with MaineHealth to obtain Medical Director services for Breakwater Commons and explore other clinical collaborations to include the acceptance of difficult-to-place hospital patients that require nursing or skilled nursing facility placement.

Below is a list of the many ways our Clinical Support team provides oversight and guidance to each center:

- Survey Support
- Expert clinical record review prior to release of information
- NCA clinical support team is available 24 hours a day.
- Provide access and education to North Country clinical reports.
- Provide education related to Requirements of Participation.
- Clinical audits such as Pressure Ulcer, Pain
- Improve Quality Measures
- Improve 5 Star Rating
- Provide onsite education to help meet goals

In order to provide a consistent, comprehensive transition of care for our residents from the time of their hospital stay to their time of admission to the facility and ongoing to their discharge home, North Country's VP of Admissions Management has collaborative relationships with:

- Area hospitals
- Physicians
- Nurse Practitioners
- Hospice Agencies
- Home Care services

North Country has been successful in forging these partner relationships through our Clinical Liaison model. North Country has five Clinical Liaisons covering all major hospitals throughout the state of Maine. They establish initial contact with the patients and their families to ensure a smooth "hand-off" in moving the resident to their respective facility. Such collaboration has contributed to decreasing the overall rate of re-hospitalizations at North Country supported facilities.

North Country's highly skilled Case Mix Specialist assists each of its facilities to monitor regulatory compliance, provide support to in-house MDS (Minimum Data Set) Coordinators and monitor action plans identified for improvement.

Programs and Services

Corporate Compliance Program:

North Country has always prided itself on a commitment to operate in a legal and ethical manner. Our comprehensive Corporate Compliance Program was developed to ensure that all employees are educated to our Standards and Code of Conduct. To ensure that all employees understand and share our commitment, we explain our expectations at hire and annually thereafter. Beyond outlining the expectations, our program provides encouragement and guidance to employees in reaching legal and ethical solutions to the challenges they face in their daily activities. The employee Standards and Code of Conduct indicate how business is to be conducted at North Country Associates and reiterates NCA's longstanding commitment to integrity in our dealings with residents, customers, suppliers and competitors.

Policy and Procedures:

Manuals written and designed specifically for Long Term Care to offer facilities a foundation for achieving operational and clinical continuity as well as regulatory compliance. Our manuals are a culmination of best practices in each of the facility realms to include:

- Human Resource
- Clinical
- Infectious Control Practices
- Information Technology
- Vision – Electronic Health Records
- Dietary
- Preventative Maintenance
- Pharmacy

Policies are reviewed on an annual basis or more often as needed. The review of these policies will be completed by facility personnel, North Country's counterparts and Medical professionals as appropriate.

Emergency Response Plans:

Each North Country facility has an Emergency Response Plan designed precisely for each site. We have a trained individual, familiar with CMS regulations that will work directly with local Emergency Management and First Responders to develop a plan that is right for the facility and consistent with CMS requirements.

Monitoring of Quality Improvement Program:

Quality Improvement management is handled among our clinical team with our Quality Improvement Specialists. They monitor facility performance and use their findings to guide program improvement activities. By applying organizational and system-wide strategies, methods and tools they have developed a consistent program across all sites, all the while honoring each facilities culture and skill sets.

Adherence to State and Federal Regulations:

Compliance with all state and federal regulations is paramount to the success and integrity of our business. North Country has an outstanding working relationship with members of Licensing and Certification. This relationship has often put North Country in the position of advising key officials of regulation changes. As a matter of fact, DHHS has often approached NCA to provide management services for poor performing facilities. Having a Quality Improvement Specialist that used to be a State and Federal Surveyor gives its team a level of expertise that few other Operators in Maine have. North Country's policies and procedures correlate with the state regulations.

Support Services:

Case Mix Specialist – Support for facility MDS Coordinator. Oversight of RAI process from completion of the MDS through submission to the fiscal intermediaries. Committed to compliance of documentation. Regularly audits clinical documentation and provides feedback to facility clinical staff.

Registered Dietician – Support for facility Food Service supervisors. Develops menus in six-week cycles for each season throughout the year. Liaison with food vendors. Develops/Maintains policies and procedures. Monitors food costs and procurement. Monitors compliance. Recommends equipment replacement. Evaluates dietary staff workflow. Conducts regular Food Service Supervisor meetings. Coordinates coverage when an FSS is absent from their facility for vacations or medical leave. Provides hands on education to food service staff. Educates Food Service Supervisors on Safe Serve.

Physical Plant Engineer – Support for Environmental specialists. Co-coordinator of service contracts to insure contractors are insured and cover their employee's worker's compensation. Organizes requests for capital purchases. Liaison with vendors for renovations, repairs, purchases as needed. Assists in correcting deficiencies listed with Fire Marshal's office. Networks all Environmental Specialists, allowing for a wide range of skill sets available to each of our facilities.

Assistant Physical Plant Engineer – Co-coordinator of service contracts to insure contractors are insured and cover their employee's worker's compensation. Reviews quotes for repairs and purchases to ensure fair bidding process.

Emergency Response Manager – Support to facility Administrator and Environmental service directors. Educated in fire safety and disaster preparedness. Good working relation with local emergency management teams. Familiar with CMS requirements for an emergency response plan. Audits existing plans for each facility and makes recommendations for alterations of the plans.

Technical Support – Supports Help Desk. Recommends IT infrastructure needs. Procures IT equipment, distributes and installs.

Reimbursement Specialist – Develops all cost reports and submits timely to state. Develops budgeting spreadsheets. Develops interim cost reports to determine reimbursement maximization. Recommends changes as needed.

Rehabilitation Coordinator – Physical Therapist, Co-Rehabilitation Coordinator. Provides support to the Rehab Manager and staff Educates Rehabilitation Managers and staff as needed. Develops Rehab staff workflow. Utilizes and trains Rehab managers to use a Therapy analyzer aimed at compliance and reimbursement maximization. Monitors productivity levels to ensure therapists are meeting acceptable benchmarks. Networks all therapy managers within NCA. Provides education to therapists and coordinates outside education for therapists. Certified in specialized seating. Determines staffing levels based on acuity, skilled census and facility needs.

Electronic Health Record Specialist – Conducts regular ongoing training with our software. She has built a Resource Manual for our clinical software as well as the individual disciplines. She assists the Facilities as a help desk support and by doing audits and one on one Facility training on a routine basis.

North Country Nursing Home Compare Ratings Under 5 Star Systems

North Country's comprehensive approach to providing solid transitional care along with having seasoned leadership and committed staff has helped to produce outstanding ratings under the Medicare 5 Star Rating System. On average our facilities earned 3.3 stars for Overall Ratings; 2.5 stars for Health Inspections; 4.4 stars for Staffing and 3.1 stars for Quality Measures. These results fall in line with National and State averages. It is worth noting that Health Inspection rating has been somewhat impacted by the COVID-19 Pandemic. Because that measure is based on the most recent three Health Inspections and CMS stopped conducting health inspections in March 2020, the data is quite dated. The most recent survey findings are weighted more than the prior year. This has not allowed for facilities to improve their Health Inspection scores in well over a year in most instances.

Facility	Overall	Health Inspection	Staffing	Quality Measures
Barron Center	4	3	5	2
Borderview	5	4	5	5
Country	2	1	5	5
Courtland	2	1	5	2
Edgewood	4	4	4	3
Evergreen	2	1	4	4
Gardiner	1	1	3	2
Heritage	5	4	5	5
Maplecrest	3	2	4	3
Market Square	4	4	4	4
Narraguagus	4	3	5	3
Orchard Park	5	4	5	3
Rumford	4	3	5	2
Russell Park	2	1	5	3
Sanfield	4	3	5	4
Somerset	3	2	5	2
Southridge	4	3	4	3
St. Josephs	4	3	5	3
Tall Pines	1	1	1	1
Average	3	3	4	3

Health Inspections

Through its Peer Review process and Quality Improvement/Performance Improvement initiatives North Country has seen a reduction in overall numbers of deficiencies.

North Country Associates Health Inspections

Facility	Date of Last Annual Health Inspection	Number of Findings	Scope & Severity
Barron Center	1/9/19	1	D(1)
Borderview	6/5/19	3	D(3)
Country	3/8/19	10	D(6), E(4)
Courtland	7/10/19	7	B(2), D(3), E(2)
Edgewood	4/24/19	0	
Evergreen	5/8/19	10	A(2), B(1), D(4), E(3)
Gardiner	12/12/19	12	D(7), E(5)
Heritage	7/10/19	5	B(2), D(3)
Maplecrest	1/15/20	9	B(3), D(5), E(1)
Market Square	2/13/20	8	B(4), D(2), E(2)
Narraguagus	5/15/19	0	
Orchard Park	6/20/19	3	B(1), D(2)
Rumford	7/26/19	4	B(1), D(3)
Russell Park	11/7/19	15	B(4), D(11)
Sanfield	6/6/19	6	B(1), D(5)
Somerset	4/18/19	3	E(3)
Southridge	5/23/19	1	D(1)
St. Josephs	7/11/19	1	D(1)
Tall Pines	5/22/19	10	B(2), D(5), E(3)
	AVERAGE:	6	

NOTE Regarding Scope and Severity: The Centers for Medicare and Medicaid Services (CMS) categorizes deficiencies in to 4 levels as follows:

- Level 1 – No actual harm with potential for minimal harm.
- Level 2 – No actual harm with a potential for more than minimal harm that is not immediate jeopardy.
- Level 3 – Actual harm that is not immediate jeopardy.
- Level 4 – Immediate Jeopardy to resident health or safety.

Within each of these levels there three categories related to the scope of the deficiency- isolated, pattern and widespread. Combined the Scope and Severity of a finding is represented by a letter A through letter I. Scope & Severity is defined by CMS and determined by the Division of Licensing and Certification (DLC) based on the severity of the deficient practice and whether it is isolated, a pattern or widespread at the time of survey.

B. Certificate of Need Unit Discussion

i. CON Standards

Relevant standards for inclusion in this section are specific to the determination that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant’s control meets industry standards.

ii. CON Unit Analysis

This proposal involves the replacement of the Knox Center (84 bed SNF/NF) and Quarry Hill (39 bed SNF/NF) with a new, 96-bed state of the art SNF/NF to be named Breakwater Commons. The new facility will be a single-story, 69,000 square foot SNF/NF which will be located on a 29- acre parcel of land located on Old County Road in Rockland, ME. This project is a joint venture between Sandy River Company and North Country Associates. Both companies are headquartered in Maine and have a long history of owning and operating senior care facilities in this State. The joint venture will include an operating entity (Breakwater Commons Operations, LLC) and a Real Estate Company (Breakwater Commons Developments, LLC). North Country Associates will operate and manage Breakwater Commons; therefore the applicant provided several performance measures relating to North Country facilities in Maine. CONU has prepared a table summarizing North Country’s Nursing Home Compare ratings (as of May 10, 2021). CONU limited its analysis to those facilities which are owned (50% or more) by North Country Associates or affiliated individuals.

North Country Facility	Overall	Health Inspections	Staffing	Quality Ratings
Borderview	5	4	5	5
Courtland	3	2	5	4
Edgewood	5	3	5	5
Gardiner	2	1	4	2
Heritage	3	2	5	4
Maplecrest	2	1	5	3
Market Square	4	3	4	3
Orchard Park	4	3	5	2
Russell Park	4	2	5	5
Sanfield	4	3	5	3
Somerset	2	3	1	2
Southridge	5	3	4	5
AVERAGE	3.6	2.5	4.4	3.6

Nursing Home Compare provides details on nursing homes across the country. Nursing Home Compare features a star rating system that gives each facility a rating between 1 and 5 stars for health inspections, staffing and quality of resident care measures. The Centers for Medicare & Medicaid Services also calculates an overall rating. This information is important due to the variation in the quality of care and services each nursing home provides to their residents. This data is updated on a monthly basis.

Facility ratings are determined using these criteria:

- The best 10 percent in each State receive a five-star rating.
- The middle 70 percent of facilities receive a rating of two, three, or four stars, with an equal number (approximately 23.33 percent) in each rating category.
- The worst 20 percent receive a one-star rating.

The above table indicates that North Country has solid ratings in 3 out of 4 categories and is in the middle 70 percent of all facilities nationally with regards to health inspections ratings.

The Division of Licensing and Certification, as the State survey agency, investigates all complaints of regulatory violation regarding health care facilities, agencies and services subjected to its licensing and certification authority. The Division then evaluates whether or not the complaints can be substantiated and initiates whatever action is necessary.

The applicant provided a detailed chart of inspection dates and scope and severity of findings. (These are the latest inspection dates prior to the CON application date of 4/5/2021). CONU reviewed all nursing home surveys and determined that all findings have been closed out and that North Country nursing facilities are in compliance with 42 CFR Part 483, Subpart B, Requirements for Long Term Care Facilities. The table below shows the date when all survey findings were resolved for each facility:

Facility	Date of Inspection	Findings Resolved	# of Findings
Borderview	06/05/2019	07/24/2019	3
Courtland	07/10/2019	07/30/2019	7
Edgewood	04/24/2019	06/03/2019	0
Gardiner	12/12/2019	01/27/2020	12
Heritage	07/10/2019	08/13/2019	5
Maplecrest	01/15/2020	03/20/2020	9
Market Square	02/13/2020	10/14/2020	8
Orchard Park	06/20/2019	08/14/2019	3
Russell Park	11/07/2019	12/31/2019	15
Sanfield	06/06/2019	07/24/2019	6
Somerset	04/18/2019	06/11/2019	3
Southridge	05/23/2019	07/11/2019	1
Average # of Findings			6

It should be further noted that no survey findings rose to the level of actual harm or immediate jeopardy.

As shown by the table above North Country facilities had an average of 6 findings while the average number in the U.S. is 8.2 and the average number is 5.2 in Maine.

Survey data for this facility can be accessed at Medicare.gov and is on file at CONU.

The Commissioner can rely on data available to the department regarding the quality of health care provided by the applicant as allowed at M.R.S. 22 §337 (3).

Deeming of Standard

As provided for at 22 M.R.S. § 335 (7)(A), if the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the requirements of this paragraph are deemed to have been met if the services previously provided in the State by the applicant are consistent with applicable licensing and certification standards.

Both North Country and Sandy River have provided SNF/NF and Residential Care services in Maine for decades. The services provided are consistent with applicable licensing and certification standards in the State. The Deeming of Standard provisions apply to this CON application.

iii. Conclusion

The Certificate of Need Unit recommends that the Commissioner find that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.

III. Economic Feasibility

A. From Applicant

The development and ownership of Breakwater Commons is a joint venture between Sandy River Company and North Country Associates. The structure for the joint venture will include an operating entity (Breakwater Commons Operations, LLC) and a real estate entity (Breakwater Commons Development, LLC). There will be a lease agreement between the two entities.

Additionally, Breakwater Commons Operations, LLC will have a consulting agreement with North Country Associates.

The applicant will utilize the acquired MaineCare revenue stream to construct a new state-of-the-art licensed 96-bed skilled nursing care center in Rockland.

Recognizing the need to remain MaineCare neutral, Breakwater Commons will utilize the acquired MaineCare income stream to construct the new facility. It is understood that DHHS will determine the actual number of beds, and the accompanying MaineCare resources, that will need to be acquired to remain Medicaid neutral. It is anticipated that the new facility will require \$11,700,399 in MaineCare resources.

Please see attached the following exhibits:

Exhibit III-A, Sources and Uses of available MaineCare Income Stream

Exhibit III-B, Purchase and Sale Agreement on the purchase of CHA and Quarry Hills income stream (NF bed rights) from the Knox Center and Quarry Hill.

Exhibit III-C, Purchase and Sale Agreement on the purchase of land from Rockland Land LLC.

The total project budget is \$34,975,710. Attached as Exhibit III-D is the project budget which includes the cost of acquiring MaineCare income stream. Also attached as Exhibit III-E is a furniture and equipment budget for the new facility.

The proforma financial statements demonstrate the feasibility of the proposed project. Attached as Exhibit III-F is a Pro Forma Income Statement for three full years of operation as well as a census and revenue projections and payroll budget for each year. The Pro Forma Income Statement shows that Breakwater Commons will result in a Net Operating Income of \$402,773 in the first full year of operations.

Attached as Exhibit III-G is a pro forma MaineCare cost report for the first full year of operations. Attached as Exhibit III-H is the proposed terms of the bank financing.

Sandy River, as the developer, is responsible for obtaining the necessary financing to construct the building. Sandy River works closely with several Maine banks that want to provide financing for this project.

In summary, the Pro Forma financial statements demonstrate the feasibility of the new project and (1) the capacity to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and (2) the ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

B. Certificate of Need Unit Discussion

i. CON Standards

Relevant standards for inclusion in this section are specific to the determination that the economic feasibility of the proposed services is demonstrated in terms of the:

- Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
- Applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

ii. CON Unit Analysis

The 96-bed Breakwater Commons facility will replace the outdated Knox Center (84 SNF/NF beds) and the small Quarry Hill facility (39-bed SNF/NF beds). As noted by the applicant, the design and size of the new facility is expected to be far more efficient. Combining the two facilities and reducing the capacity from 123 to 96 will enhance operating revenues as both facilities have struggled with low occupancy levels. Quarry Hill is just too small to achieve any economies of scale. Residents of both Quarry Hill and the Knox Center have the option of relocating to the new facility. Quarry Hill expects to use the vacant space for residential care beds to enhance their profitability. The expected opening date of Breakwater Commons is estimated to be the 4th quarter of 2022 given the projected 17-month construction timeline.

CONU Comment #2:

The applicant filed an amendment to the CON application on June 15, 2021 due to the current volatile construction cost environment which resulted in new construction bids coming in at \$1,331,257 higher than originally budgeted. The revised project budget, financing and MaineCare neutrality calculations are shown below:

Breakwater Commons Project Budget	Original	Revisions	Amended
Site Acquisition	\$1,200,000	\$0	\$1,200,000
MaineCare bed rights	\$3,744,128	\$39,872	\$3,784,000
Site Work	\$5,188,513	(\$8,799)	\$5,179,714
Building Construction	\$16,800,416	\$1,301,603	\$18,102,019
Major Furnishings and Equipment	\$1,750,000	\$0	\$1,750,000
Architect and Engineering	\$614,017	\$0	\$614,017
Engineering	\$175,000	\$0	\$175,000
Owners Rep	\$150,000	\$0	\$150,000
CON Fee	\$35,000	\$0	\$35,000
Environmental and Geotechnical	\$35,000	\$0	\$35,000
Environmental Phase I	\$10,000	\$0	\$10,000
Utility Fees	\$200,000	\$0	\$200,000
Testing and Inspections	\$70,000	\$0	\$70,000
Wetlands, Traffic, Survey, DEP Impact	\$200,000	\$0	\$200,000
Appraisal/Market Studies	\$15,000	\$0	\$15,000
Title and Recording	\$35,000	\$0	\$35,000
Legal and Accounting	\$225,000	\$0	\$225,000
RE Taxes during Construction	\$60,000	\$0	\$60,000
Builders Risk Insurance	\$65,000	\$0	\$65,000
Development and Financing Fee	\$1,100,000	\$0	\$1,100,000
Bank Financing Fee	\$40,000	\$0	\$40,000
Interest Carry	\$493,066	(\$64,812)	\$428,254
Permit Fees	\$75,000	\$0	\$75,000
Preopening Startup Costs	\$455,060	\$0	\$455,060
Preopening Marketing	\$175,000	\$0	\$175,000
Operating Reserve	\$400,000	\$0	\$400,000
5% Construction Contingency	\$1,665,510	\$63,393	\$1,728,903
Total Project Budget	\$34,975,710	\$1,331,257	\$36,306,967

The revised project will be financed as follows:

Category	Original	Revision	Adjusted
Debt Financing (Commercial Bank)	\$25,619,708	\$974,879	\$26,594,587
Subordinated Debt CHA/ Maine Health Care	\$1,000,000	\$0	\$1,000,000
Paid in Capital	\$8,356,002	\$356,378	\$8,712,380
Total Sources of Capital	\$34,975,710	\$1,331,257	\$36,306,967

The projected terms of the commercial bank loans will include an interest rate of 4% and interest only payments for 30 months. Payments will be based on a 25-year amortization period and the initial term of the loan will be 7 years. It is the applicant’s intent to submit their financing proposal to several banks in order to obtain the best financing package possible. The projected closing date on financing is projected to be late Summer of 2021. Coastal Health Alliance/MaineHealth will provide additional funding of \$1,000,000 with terms similar to the commercial bank financing.

The applicant provided a revised pro-forma cost report representing the first full year of operations of Breakwater Commons. In addition, revised supplemental proforma income statements, a payroll budget, including projected staffing and worked hours and a projected census were submitted. Financial projections show projected net income of \$359,736 in year one of the project and net income of \$969,265 in year two of the project. Occupancy projections indicate a 91% and 93% occupancy rate in year one and year two of the project respectively. The proposed Breakwater Commons facility replaces two facilities that are outdated, inefficient and suffering from poor occupancy and poor financial performance. Based on our review of the financial documentation submitted by the applicant the assumptions regarding capital costs, occupancy, reimbursement rates and payor mix are reasonable and support the applicant’s assertion that this project is financially feasible.

MaineCare Neutrality (Revised Calculation)

This project is subject to MaineCare neutrality. MaineCare neutrality is computed by comparing the utilization of MaineCare resources between Knox Centers 84 beds and Quarry Hills 39 beds and the proposed Breakwater Commons 96 bed capacity. An occupancy rate of 95% is assumed. See below for calculations.

Facility	Beds	Days	Occupancy	Utilization	MaineCare Rate	MaineCare Cost
Knox Center (SNF/NF)	84	365	0.95	29,127	\$309.67	\$9,019,758
Quarry Hill (SNF/NF)	39	365	0.95	13,523	\$305.87	\$4,136,356
TOTAL						\$13,156,115

Breakwater Commons (SNF/NF)	96	365	0.95	33,288	\$355.23	\$11,824,896
Total Increase (Decrease)						(\$1,331,218)

This transaction results in a decrease in MaineCare utilization. The excess funding of \$1,331,218 can be utilized for other projects. As noted above Quarry Hill may use the vacant space created by the relocation of its SNF/NF residents to create residential care beds.

Deeming of Standard

As provided for at 22 M.R.S. § 335 (7)(B), if the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the applicant is deemed to have fulfilled the requirements of this subparagraph if the services provided in the State by the applicant during the most recent 3-year period are of similar size and scope and are consistent with applicable licensing and certification standards.

Sandy River and North Country Associates have been a provider of SNF/NF nursing services in Maine for decades. The operations of the purchased facilities are of similar size and scope and are consistent with applicable licensing and certification standards.

Changing Laws and Regulations

Certificate of Need Unit staff is not aware of any imminent or proposed changes in laws and regulations that would impact the project.

iii. Conclusion

Certificate of Need Unit staff recommend that the Commissioner determine that the applicant has met their burden to demonstrate: (1) the capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and (2) the applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

IV. Public Need

A. From Applicant

The proposed project will utilize the acquired MaineCare revenue streams and acquired land to construct a new state-of-the-art licensed 96-bed skilled nursing care center.

Quarry Hill includes a small 39-bed nursing care unit. Operating a nursing care unit with only 39 beds is very challenging and inefficient and results in large operating losses and negative cash flow year after year. While Quarry Hill is much newer than the Knox Center, the 39 Bed NF Unit is almost entirely made up of semi-private rooms and older air handling systems, neither of which meet the challenges that long term care facilities are facing today with highly infectious diseases.

The Knox Center in Rockland also operates with large operating losses and challenging occupancy levels. There are not enough hospital discharges to skilled rehabilitation services in Knox County to support both Quarry Hill, The Knox Center's and Windward Gardens rehabilitation programs. And while Knox Center is in reasonably good condition and well maintained, the layout and design, including resident outdoor spaces, is inefficient and outdated.

Combining Quarry Hill and The Knox Center's licensed beds offers an opportunity to develop a new state-of-the-art nursing care and rehabilitation center that would allow for more economies of scale with a higher level of efficiency and programming, a design and layout that includes three "neighborhoods" with mostly private rooms each with their own bathroom and shower, and beautifully landscaped outdoor spaces and courtyards.

The project is the replacement of The Knox Center, a nursing home that was converted from an old hospital in the 1970s. The original brick structure was constructed in 1916 with additional wings in 1922 and 1928. In 1969 the hospital closed with the opening of Pen Bay Medical Center in nearby Rockport. The building was then renovated into a 44-bed nursing facility in the early 1970's. In 1993 the building was further renovated increasing to 84 nursing care beds, mostly all shared rooms.

While the Knox Center is maintained well, the facility is clearly outdated.

1. Of the 84 licensed nursing beds, there are only a total of 4 private rooms in the facility. Additionally, most of the rooms have a shared bathroom which is four persons sharing one bathroom. Shared rooms, combined with four residents using one bathroom, does not allow for effectively responding to infectious disease outbreaks such as COVID 19. And many of the bathrooms do not meet ADA standards.

2. There is very limited access to outdoor space and common areas are open and noisy and difficult for residents with memory loss.
3. Most mechanical building systems are at the end of their life and need replacing and upgrading. There are numerous issues related to outdated plumbing and sewer. The sewer line to the street needs replacement. HVAC controls all need upgrading.
4. There is a brook that runs beside the building that often floods over in the winter and the facility has had to sandbag the back entrance to keep parts of the building from flooding.
5. The electrical system is at the age of replacement. And the emergency power system is too small for the building.
6. Windows throughout the building are drafty and cold in resident areas with leaking areas with water coming in around windows. The windows need replacement.
7. The building lacks storage for PPE and there are no areas to store mechanical lifts.
8. The roofing needs replacement.

Clearly, the Knox Center, an outdated nursing home that was converted from a hospital structure originally constructed in the early 1900s, needs to be replaced.

Replacing the Knox Center with a new state-of-the-art nursing center will have a positive impact on the quality of life of residents and improve the emotional health of residents and their families.

Licensed Nursing Care Beds

The proposed new facility will consist of three NF “neighborhoods” offering the opportunity to create both a traditional long-term care neighborhood and short stay rehabilitation neighborhoods. One “neighborhood” will be a 32-bed nursing level memory care unit to replace a memory care unit within the Knox Center. While the new facility is replacing a total of 123 licensed nursing beds with a new 96 bed state-of-the-art senior care center, the decrease in licensed NF beds will “right size” the number of NF beds in the market area. The 2019 average and current YTD number of occupied beds is approximately 97 out of the 123 licensed nursing beds. And of that total, the Knox Center’s 84 licensed nursing beds are only averaging about 64 beds occupied.

Additionally, the Knox Center only operates with approximately 7 Medicare skilled rehab patients and Quarry Hill’s 39-bed nursing unit only operates with approximately 6 Medicare skilled rehab patients. Operating such small rehab units is extremely

inefficient. Please refer to Exhibit IV-A: Historical Occupancy of the Knox Center and Quarry Hill's NF Unit.

As Maine continues to age, the need for the proposed 96-bed new facility will continue. In the historically cited report by the Muskie School of Public Service titled Older Adults and Adults with Disabilities: Population and Service Use Trends in Maine -2012 Edition and subsequent 2016 Edition, the percent of persons age 65 and older in Knox County is projected to increase from approximately 27% in 2020 to 32% by 2027. In looking at demand for NF beds, the metric most often used is NF beds per 1000 age 65+. Statewide, Maine historically has approximately 33 beds/1000 age 65+ and Knox County historically has been one of the more under bedded counties in Maine with only approximately 21 beds/1000 age 65+.

There will be continued demand for NF/Skilled beds including a continued need for the proposed 96 NF/Skilled beds at Breakwater Commons. Again, the proposed new facility will offer the opportunity to create both a traditional long-term care neighborhoods and short stay rehabilitation neighborhoods, as well as an NF level memory care unit.

There is a continued need for the nursing care services now provided at the Knox Center (and Quarry Hill) and replacing the outdated Knox Center will improve the wellbeing of residents to be served at the new facility for years to come. It is important to remember that this facility is being developed to provide senior care services for the next 40+ years. Breakwater Commons will replace an outdated facility with a new facility that meets the demand for state-of-the-art rehab gyms and rehab programs, a large number of private rooms that will be demanded by baby boomers and beyond and offers a more residential "neighborhood" environment for our aging population. The layout and design of the new building, along with a large number of private rooms and the ability to isolate sections of the "neighborhoods", will dramatically improve the ability to manage infectious diseases like COVID-19.

Breakwater Commons will become a model for the next generation of nursing care facilities in Maine.

B. Certificate of Need Unit Discussion

i. CON Standards

Relevant standards for inclusion in this section are specific to the determination that there is a public need for the proposed services as demonstrated by certain factors, including, but not limited to:

- Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project;

- Whether the project will have a positive impact on the health status indicators of the population to be served;
- Whether the services affected by the project will be accessible to all residents of the area proposed to be served; and
- Whether the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project.

ii. CON Unit Analysis

The applicant intends to construct a 96-bed facility to replace two existing nursing homes. In order to confirm a continued public need, CONU analyzed demographic and service use trends in Breakwater Commons proposed service area (Knox County, Maine). CONU utilized the Older Adults with Physical Disabilities: Population and Service Use Trends in Maine, 2012 Edition and the Adults Using Long Term services and Supports: Population and Service Use Trends in Maine, 2016 Edition prepared by the Muskie School of Public Service and the U.S. Census Bureau's website located at <https://www.census.gov/quickfacts/>

Knox County Maine has an estimated population of 39,772 as of July 1, 2019 with approximately 26.0% of the population age 65 or older. This population is the primary consumer of nursing care services. Maine's 65 and above age group continues to grow at a rate faster than New England and the USA as a whole. The over 65 population in Maine is projected to reach 29% of the state's population by 2032. The percentage of Knox County population over the age of 65 is projected to rise to 31.7% of the population by 2027. With the projected increase in the 65+ population it is likely that SNF/NF beds will be required over the next decade. Maintaining the correct number SNF/NF beds and constructing an efficient, state of the art facility will substantially address specific health problems associated with an aging population which is increasingly requiring more intensive care. The new facility will handle both a long-term care population and a short stay rehabilitation population. This will have a positive impact on the health status indicators of the population to be served. Short term rehabilitation is extremely effective in returning people home and avoiding a more costly long-term care alternative. In addition, private rooms will be provided for the majority of the residents. Private rooms provide significant benefits in the area of infection control. CONU examined the latest occupancy data available for nursing services within a 30-mile driving distance of Rockland, ME, where the proposed facility will be located. CONU used the latest available occupancy data (3/15/2021) and occupancy data for February 15, 2020 to compare pre and post-pandemic occupancy levels.

3/15/2021 occupancy data:

Facility	Location	Beds	Occupied	% Occ.
Knox Center for LTC	Rockland	84	50	59.52%
The Gardens (Quarry Hill)	Camden	39	28	71.79%
Windward Gardens	Camden	58	42	72.41%
Coves Edge	Damariscotta	76	41	53.95%
The Commons at Tall Pines	Belfast	53	31	58.49%
Harbor Hill Center	Belfast	40	38	95.00%
Country Manor	Coopers Mills	30	17	56.67%
Total Beds/Average Occupancy		380	247	66.83%

2/15/2020 occupancy data:

Facility	Location	Beds	Occupied	% Occ.
Knox Center for LTC	Rockland	84	70	83.33%
The Gardens (Quarry Hill)	Camden	39	34	87.18%
Windward Gardens	Camden	58	49	84.48%
Coves Edge	Damariscotta	76	62	81.58%
The Commons at Tall Pines	Belfast	53	42	79.25%
Harbor Hill Center	Belfast	40	36	90.00%
Country Manor	Coopers Mills	30	27	90.00%
Total Beds/Average Occupancy		380	320	85.12%

In 2010 Knox County had 21 nursing facility beds per 1,000 persons age 65 and above. The adjacent counties of Lincoln and Waldo County had 18 and 15 nursing facility beds respectively per 1,000 persons age 65 and above during this same time period. All three counties are below the state average of 33 beds per 1,000 persons age 65 and above.

The average occupancy rate for facilities near the proposed Breakwater Commons facility is 66.83% post-pandemic and 85.12% pre-pandemic. The applicant addressed low occupancy problems with Knox Center and Quarry Hill by right sizing the new facility. Licensed nursing home beds have been reduced from 123 (combined licensed beds of Knox Center and Quarry Hill) to 96 licensed beds at Breakwater Commons. This reduced number of licensed beds more accurately responds to the need for SNF/NF services in the area. The reduced number of beds will lead to higher occupancy and significant improvements in operating revenue. Families of Knox Center and Quarry Hill residents have expressed a strong desire to relocate to the new facility upon completion. CONU believes that there will be a continuing need for SNF/NF services in the Knox County service area.

The services affected by the project will be accessible to all residents of the area proposed to be served.

The project will provide demonstrable improvements in the outcome measures for patients that require skilled and long-term services. The demographics of this region and the State of Maine as a whole show an aging population base that will require the services provided by the new facility.

iii. Conclusion

The Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to show that there is a public need for the proposed project.

V. Orderly and Economic Development

A. From Applicant

This proposal involves meeting the budget neutrality requirements for nursing facility projects in Maine as shown in the Economic Feasibility section. The new facility also replaces a 40 plus year old outdated facility with a new state-of-the-art nursing facility that will serve elderly in Knox County for the next 40 years.

North Country has a strong relationship with MaineHealth, and discussions are underway to work together programmatically both on this new center and other nursing facilities in Maine.

Again, given that the availability of the Mainecare income stream is being used to offset the cost of constructing a new replacement facility, there will be no overall increase in costs to the Maine healthcare system and health care expenses. This proposal will be Medicaid neutral and add no additional cost to the State's Medicaid program.

Furthermore, the facility will replace the existing the Knox Center facility and offer a high-level skilled rehab program focusing on providing services to persons who have had an acute event and with appropriate rehabilitation services can return home or to the community. Without the strong rehab programs of facilities such as the proposed new facility, there would be increased usage of NF Mainecare beds and increased financial pressure on Maine's health care expenses. Patients with high acuity care needs would either remain in the acute care sector longer or be admitted inappropriately to a traditional long-term care setting within a nursing home. The new facility's focus on a strong transitional care unit and program saves the State resources by transitioning acute care residents through specialized rehab programs and returning them back home. Without such programs, the percentage of seniors with an acute episode/event who would end up in long term care within a nursing home could be much higher.

B. Certificate of Need Unit Discussion

i. CON Standards

Relevant standards for inclusion in this section are specific to the determination that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

- The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;

- The availability of state funds to cover any increase in state costs associated with utilization of the project's services; and
- The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available.

ii. CON Unit Analysis

As stated previously, this transaction right-sizes the number of licensed SNF/NF beds in the Knox County and adjacent service areas while simultaneously replacing aging and inefficient facilities with a well-designed and updated replacement facility. The new facility will allow for a higher quality of life for its residents and enhance the financial performance of Breakwater Commons. This project will have a positive impact on health care expenditures in this region because of the reduction in licensed beds. This may have the added benefit of enhancing other service providers profitability by increasing utilization of their facilities. Increased skilled rehab services may result in increased utilization of Medicare revenue and may reduce MaineCare expenditures. In addition, existing space at Quarry Hill can be utilized for necessary residential care services with minimal capital expenditures.

As discussed in the Economic Feasibility section of this analysis this project will result in a reduction in healthcare costs, therefore there will be a less need for State funding. This applicant has fulfilled MaineCare neutrality requirements.

Sandy River and North Country have provided necessary services in the State of Maine for decades. This transaction will allow Breakwater Commons to provide long-term care and rehabilitation services for decades to come. Quarry Hill and Knox Center residents may choose to relocate to a modern facility which will enhance their quality of life. Given the benefits provided by the facility, along with a reduction in cost, it is unlikely that a more effective, more accessible, or less costly alternative for providing needed SNF/NF services is available.

iii. Conclusion

The Certificate of Need Unit recommends that the Commissioner find that the applicant has met its burden to demonstrate that the proposed project is consistent with the orderly and economic development of health facilities and health resources for the State.

VI. Outcomes and Community Impact

A. From Applicant

The proposed replacement facility for Knox Center will improve and expand rehabilitation and complex care services with a focus on providing services to persons who have had an acute event and with appropriate rehabilitation services are able to return home. Without the strong programs of facilities such as the proposed new facility, there would undoubtedly be increased usage of NF Mainecare beds and a decrease in positive outcomes for Maine's elderly. Breakwater Commons will have an excellent reputation as a leader in long term care services in Maine as well as strong reputation as a rehabilitation provider and hospital discharge option in the service area.

This project would not have a negative impact on quality and outcome of its proposed services, but rather would have several positive attributes.

Improving Healthcare Outcomes

Breakwater Commons will be affiliated with a network of skilled nursing facilities located throughout Maine operated by North Country. Each facility has an excellent track record of providing high quality services to its residents. Through its division of professional services, North Country provides program enhancement, policy development, care audits and inspection, clinical nurse consultants, and compliance monitoring with Federal and State regulations. These services along with on-site professional staff training have aided in the development of policies and procedures that lead to positive health outcomes. These program enhancements and procedures are shared with the other facilities allowing for continuous feedback and education of the staff. This enables each facility to develop new knowledge bases and put new treatment strategies into practice for improving health outcomes. Through ongoing involvement in the Advancing Excellence Campaign our goal would be for the facility to continue to improve in areas such as consistent assignments, reducing hospitalizations or reducing antipsychotic medication, to name a few.

High Quality Care

As detailed further in other sections, North Country has consistently fostered a culture that promotes high quality care in a safe environment. Its mission is to provide residents and their families with superior care delivered by staff dedicated to the principals of kindness, compassion, service and excellence in an environment where individuality, dignity and value of those who are served, as well as those who serve, is nurtured and appreciated. As part of the North Country network and in concert with its mission, employees will be sufficiently trained through educational programs for continued implementation of these goals and values. All North Country facilities are involved in a corporate structure designed to review resident/facility safety as well as quality assurance and performance improvement.

B. Certificate of Need Unit Discussion

i. CON Standards

Ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

ii. CON Unit Analysis

The applicant initiated this project to replace aging and inefficient facilities with a state of the art SNF/NF. A more efficient layout will enhance the delivery of services to its residents. A right-sized facility will enhance the facilities operating performance by eliminating problems associated with low occupancy. An appropriate patient mix will allow for more clinical focus on skilled rehabilitation services, enhancing the ability of residents to transition to a less restrictive and costly home environment. Continuing necessary services in the current geographic area will have a positive impact on the quality of care. This project will ensure high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

iii. Conclusion

Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that this project will ensure high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

VII. Service Utilization

A. From Applicant

The Maine Quality Forum is geared towards Hospital and Physician based healthcare and thus its evidence-based medicine principals are generally not applicable to this application. Yet the underlying theme of inappropriate admissions, services or testing is pertinent in all healthcare delivery settings; nursing facilities included.

There is a combination of ways inappropriate NF and residential care utilization is mitigated.

Consumers seeking NF admission and who will rely on MaineCare to pay for their care must have a physician's order, meet the strident medical eligibility standards of DHHS and qualify based on an assessment of their income and assets. They must also receive a Goold assessment that documents NF level of care is needed based on DHHS medical eligibility standards. Generally speaking, MaineCare consumers who seek NF admission must have a three ADL loss or have cognition challenges which qualify them under Maine's eligibility standards. The assessments continue on a set schedule to assure continuing need for NF level of services.

Medicare also establishes medical necessity standards for skilled care thus insuring only appropriate cases are served. Prior to the expansion of skilled care in nursing facilities most cases were treated in hospitals at significantly higher cost.

North Country has written corporate compliance policies that require all employees to follow State and Federal laws governing the provision of nursing facility and residential care services. North Country offers employees a compliance hot line whereby they can anonymously contact its corporate compliance officer, who follows up on all reports. The hot line is a vital component for learning of and stopping inappropriate practices that do not comply with laws and regulations.

B. Certificate of Need Unit Discussion

i. CON Standards

Relevant standards for inclusion in this section are specific to the determination that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum as established in Title 24-A, section 6951, when the principles adopted by the Maine Quality Forum are directly applicable to the application.

ii. CON Unit Analysis

The Maine Quality Forum has not adopted any principles of evidence-based medicine directly applicable to the application; therefore, this application meets the standard for this determination.

This project will decrease the number of nursing home beds in Knox County and adjacent areas while meeting current and future needs in the community. No inappropriate increases in utilization will occur as a result of this project.

iii. Conclusion

Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.

VIII. Consistency with MaineCare Funding Pool

A. From Applicant

Not applicable

B. Certificate of Need Unit Discussion

i. CON Standards

In the case of a nursing facility project that proposes to add new nursing facility beds to the inventory of nursing facility beds within the State, is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A.

ii. CON Unit Analysis

The applicant is not adding additional nursing facility beds to the inventory of nursing facility beds within the State.

iii. Conclusion

Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that the project is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A.

IX. Timely Notice

A. From Applicant

The applicant fully intends to follow the appropriate procedures outlined in the CON Procedures Manual to include all requirements for public meetings.

B. Certificate of Need Unit Discussion

Letter of Intent filed:	November 16, 2020
Technical assistance meeting held:	Waived
CON application filed:	April 5, 2021
CON certified as complete:	April 5, 2021
Public Information Meeting held:	Waived
Public Hearing held:	N/A
Amended Application Submitted	June 15, 2021

X. Findings and Recommendations

Based on the preceding analysis, including information contained in the record, the Certificate of Need Unit recommends that the Commissioner make the following findings:

- A.** The applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.

- B.** The economic feasibility of the proposed services is demonstrated in terms of the:
 - 1. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
 - 2. Applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules;

- C.** There is a public need for the proposed services as demonstrated by certain factors, including, but not limited to;
 - 1. The extent to which the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
 - 2. The project has demonstrated that it will have a positive impact on the health status indicators of the population to be served;
 - 3. The project will be accessible to all residents of the area proposed to be served; and
 - 4. The project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;

- D.** The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:
 - 1. The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;

2. The availability of State funds to cover any increase in state costs associated with utilization of the project's services; and
 3. The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available was demonstrated by the applicant;
- E.** The project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers:
- F.** The project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum; and
- G.** The project is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A..

For all the reasons contained in this preliminary analysis and based upon information contained in the record, Certificate of Need Unit recommends that the Commissioner determine that this project should be **approved**.